103D CONGRESS 2D SESSION

H. R. 3758

To amend the Internal Revenue Code of 1986 to allow reservists called to active duty for certain purposes to make penalty-free withdrawals from certain retirement plans to the extent of lost income while on active duty.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 1994

Mr. Walker introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow reservists called to active duty for certain purposes to make penalty-free withdrawals from certain retirement plans to the extent of lost income while on active duty.

1 Be it enacted by the Senate and House of Representa2 tives of the United States of America in Congress assembled,
3 SECTION 1. PENALTY-FREE DISTRIBUTIONS FROM CER4 TAIN RETIREMENT PLANS FOR RESERVISTS
5 CALLED TO ACTIVE DUTY FOR CERTAIN
6 PURPOSES.
7 (a) IN GENERAL.—Paragraph (2) of section 72(t) of

8 the Internal Revenue Code of 1986 (relating to exceptions

1	to 10-percent additional tax on early distributions from
2	qualified retirement plans) is amended by adding at the
3	end thereof the following new subparagraph:
4	"(D) Distributions for reservists
5	SERVING ON ACTIVE DUTY FOR CERTAIN PUR-
6	POSES.—Any qualified reservist distribution (as
7	defined in paragraph (6)) from an individual re-
8	tirement plan or from amounts attributable to
9	employer contributions made pursuant to elec-
10	tive deferrals described in subparagraph (A) or
11	(C) of section $402(g)(3)$ or section
12	501(c)(18)(D)(iii).''
13	(b) QUALIFIED RESERVIST DISTRIBUTION.—Sub-
14	section (t) of section 72 of such Code is amended by add-
15	ing at the end thereof the following new paragraph:
16	"(6) Qualified reservist distribution.—
17	For purposes of paragraph (2)(D)—
18	"(A) In general.—The term 'qualified
19	reservist distribution' means any distribution or
20	payment to a qualified reservist during the eli-
21	gible distribution period.
22	"(B) Limitation on amount.—Para-
23	graph (2)(D) shall not apply to the extent that
24	the aggregate amount withdrawn during the eli-

1	gible distribution period exceeds the excess (if
2	any) of—
3	"(i) the amount earned income which
4	such individual would have received during
5	the eligible distribution period but for serv-
6	ing on active duty as described in subpara-
7	graph (C), over
8	"(ii) the earned income received dur-
9	ing such period.
10	"(C) Qualified reservist.—For pur-
11	poses of this paragraph, the term 'qualified re-
12	servist' means any member of a reserve compo-
13	nent of the Armed Forces of the United States
14	who is called or ordered to active duty in sup-
15	port of a contingency operation (as defined in
16	section 101 of title 10, United States Code).
17	"(D) Eligible distribution period.—
18	For purposes of this paragraph, the term 'eligi-
19	ble distribution period' means the period the in-
20	dividual is serving on active duty as described
21	in subparagraph (C)."
22	(c) Conforming Amendments.—
23	(1) Section $401(k)(2)(B)(i)$ of such Code is
24	amended by striking "or" at the end of subclause
25	(III), by striking "and" at the end of subclause (IV)

1	and inserting "or", and by inserting after subclause
2	(IV) the following new subclause:
3	"(V) the date on which qualified
4	reservist distributions (as defined in
5	section 72(t)(6)) are made, and".
6	(2) Section 403(b)(11) of such Code is amend-
7	ed by striking "or" at the end of subparagraph (A),
8	by striking the period at the end of subparagraph
9	(B) and inserting ", or", and by inserting after sub-
10	paragraph (B) the following new subparagraph:
11	"(C) for qualified reservist distributions
12	(as defined in section $72(t)(6)$)."
13	(d) EFFECTIVE DATE.—The amendments made by
14	this section shall apply to distributions after the date of
15	the enactment of this Act.

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